

National Aeronautics and Space Administration Advisory Council



Audit, Finance, and Analysis Committee

August 5, 2010

Members:

Mr. Robert Hanisee, Chairman

Hon. William Campbell

Hon. Michael Montelongo

Dr. Howard Stanislawski

Mr. Jeffrey Steinhoff



Audit, Finance & Analysis Committee

Abridged Agenda

Fact Finding Meeting July 29 – 30, 2010

- *Agency CFO Update* *Beth Robinson, NASA CFO*
- *Agency DCFO Update* *Terry Bowie, NASA DCFO*
- *OIG/EY Audit Update* *Dan Murrin, EY Audit Team*
Paul Martin, NASA IG
- *Overview – Strategic Investment Division* *Cynthia Lodge,*
Director
Strategic Investments Division
- *Open Government Initiative* *Nadine Tremper, Director*
Financial & Budget Systems Management Division
- *Federal Advisory Committee Act* *P. Diane Rausch,*
Executive Director, NASA Advisory Council



Overview – Strategic Investment Division (SID)

- SID is now part of the Office of the Chief Financial Officer
- Staff of 18
- Two major functions
 - Agency-level Strategy and Performance Management with an external focus (OMB, GAO, et al)
 - Program analysis with an internal focus
- SID provides the link between performance and budget
 - Oversees/coordinates planning and performance reporting (including the Agency's Strategic Plan)
 - Assesses budget requirements and competing funding demands
 - Evaluates effectiveness of programs, policy, and procedures
 - Works closely with OMB on improving performance



Strategic Investments Division

- Lead the development, coordination, and publication of the Agency's Strategic Plan
- Lead performance planning, tracking, and reporting in accordance with the Government Performance and Results Act (GPRA) of 1993, et al.
- Continuously monitor and assess the performance of NASA's program, projects and mission support
- Provide objective, transparent, and multidisciplinary analysis on all aspects of NASA programs and institutions to inform strategic decision making
- Support NASA through all the phases of the Planning, Programming, Budgeting and Execution (PPBE) Process



Strategic Investments Process

- Planning Phase
 - Develop Strategic and Performance Management policies/ processes
 - Document goals and priorities (strategic plan)
 - Establish outcomes and performance metrics
 - High priority goals
 - Impact evaluations
 - Portfolio analysis for the annual Acquisition Strategy Planning Review
 - Improve analysis to inform decision makers
- Programming phase
 - Provide strategic goals and objectives for budget formulation
 - Evaluate strategic institutional investment proposals, budget proposals, budget alignment and sufficiency, and resolving budget issues



Strategic Investments Process

- Budget Phase
 - Analyze budget passback and provide responses
 - Develop Congressional Justification for Management and Performance Section
 - Review and validate the other Congressional Justification sections
- Execution Phase
 - Assess programmatic and institutional performance
 - Review financial performance and operating plans, and produce required reports
 - Perform Baseline Performance Review (BPR)
 - Document project lifecycle reviews – key decision points (4)
 - Support agency performance audits



Strategic Investments Summary

- SID analysis supports Agency budgets which:
 - Align with the Agency's goals and programmatic direction
 - Align institutional and programmatic requirements
 - Realistically reflect up-to-date information on performance
- SID provides project reviewers and decision authorities with up-to-date information on performance and budget
- SID ensures accurate reporting on performance



FY2010 Financial Statement Audit

FY2009 Results – Disclaimer

- One Material Weakness: legacy Property, Plant, and Equipment (PP&E)
- Two Significant Deficiencies: estimating environmental liabilities and financial management systems compliance with the Federal Financial Management Improvement Act (FFMIA)

FY2010 Audit – In Progress



Status of the FY 2010 Financial Statement Audit

- Phase 1 – Planning
 - Status: Completed
- Phase 2 – Documentation of Internal Control
 - Status: Completed
- Phase 3 – Internal Control and Substantive Test Procedures
 - Status:
 - Internal Control and Substantive procedures as of March 31 near completion. Currently under review by the OIG.
 - Third and fourth quarter internal control and Substantive procedures are in planning and initiation stages
- Phase 4 – Reporting
 - Status: Will initiate with receipt of June 30, 2010 financial statements in August



Financial Statement Audit Results to Date

- Testing of balances and transactions as of March 31 is near completion and no show-stoppers mentioned
- 3rd and 4th quarter testing to commence
- E&Y is non-committal at this stage
- High risk areas that could adversely impact the audit opinion
 - International Space Station (ISS) valuation
 - Other Property, Plant, and Equipment – Operating Materials and Supplies
 - Unfunded Environmental Liabilities



Financial Statement Audit Results to Date

International Space Station (ISS) Valuation

- Implementation of government accounting standard SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment*, opens the door to resolving this problem which has triggered a disclaimer for the past 7 years

Other Property, Plant, and Equipment – Operating Materials and Supplies

- Not previously tested/audited by E&Y
- Valued at \$3 billion (\$1.9b Space Shuttle, \$1.1b ISS and other programs)
- Held by contractors, primarily Boeing
- NASA CFO is focusing on this area



Financial Statement Audit Results to Date

Inspector General

- Has pledged
 - No surprises
 - Constructive relationship
- Related ongoing audits being conducted by the OIG
 - NSSC Human Resource Services (scope was expanded to include Procurement, Financial Management, and Information Technology)
 - NASA's Grant Administration and Management



Open Government Initiative

On December 8, 2009 the White House issued the Open Government Directive (M-10-06) calling on all Executive Branch agencies to become more open, accountable and centered on the principles of transparency, participation, and collaboration.

- Transparency – promotes accountability by providing the public with information about what the government is doing
- Participation – allows members of the public to contribute ideas and expertise so that their government can make policies with the benefit of information that is widely dispersed in society
- Collaboration – improves the effectiveness of government by encouraging partnerships and cooperation within the Federal Government, across levels of government, and between the government and private institutions



Open Government Initiative Elements

Leadership

- Dr. Elizabeth “Beth” Robinson (CFO) – Senior Accountable Official
- Dr. Linda Cureton (CIO) – Executive Accountable Official

Website Access

- NASA data is posted on Data.gov
- NASA open government webpage at www.nasa.gov/open

Components/Documents

- Open Government Plan (released April 15, 2010)
- Open Government Federal Spending Information Data Quality Plan (released May 14, 2010)



Open Government Plan

- Two main sections:
 - Framework and Leadership section
 - Describes NASA's history of openness and outlines our framework for approaching Open Government
 - Outlines NASA's Five Principles in our framework for approaching Open Government
 - Fact Sheets
 - Written by the respective initiative, project, or program to communicate what it does, how it fits into Open Government, its goals for the next two years, useful links, and two anecdotes that embody Open Government
 - Highlights 25 specific activities at NASA
 - Four Sub Sections
 1. NASA's Missions Directorates and Open Government
 2. Ongoing Government Activities
 3. New Open Government Initiatives
 4. Flagship Initiatives



Open Government Federal Spending Information Data Quality Plan

The Federal Spending Information Data Quality Plan is the second document required under the Open Government Directive. NASA's plan depicts the current framework over the quality and integrity of Federal Spending Information. The plan highlights the agency's organizational structure, policies, processes, and systems to achieve three objectives:

1. Effectiveness and efficiency of the operations producing and disseminating financial
2. Information, reliability of the financial information reported, and compliance with applicable
3. Laws and regulations

The NASA Data Quality Plan is divided into two main sections:

1. Implementation of the Data Quality Framework
2. www.USAspending.gov/data



NASA Earned Value Management (EVM) Update

To Refresh:

- EVM is a tool/technique/methodology/process that monitors, tracks, and assesses the cost and schedule progress of programs and projects
- EVM is part of the comprehensive “plumbing” NASA is installing to demonstrate that it can improve its delivery of projects on time and within budget
- Only Jet Propulsion Laboratory (JPL) is currently ANSI/EIA-748 compliant
- NASA goal is to develop and deploy an agency-wide organic EVM capability that is ANSI/EIA-748 compliant
- 1st pilot program at Johnson Space Center (JSC) is underway/ongoing, 2nd pilot at Goddard Space Flight Center (GSFC) is set to kick off in October



Audit, Finance, and Analysis Committee

Future Activities

- *Review implementation plan for agency-wide estimation of asbestos remediation liability*
- *EVM progress report – full review*
- *Shuttle transition update-disposal of capital equipment and Operating Materials and Supplies (OM&S)*
- *Property, Plant, and Equipment update – include accounting treatment of OM&S*
- *OCFO Staffing – age distribution – turnover*
- *Constellation Program – review and understand financial, accounting, and property disposition implications of cancellation/modification*



Audit, Finance, and Analysis Committee

No specific recommendations at this time.

Committee did make certain suggestions to Deputy CFO to address the Operating Materials and Supplies (OM&S) issue on Space Shuttle and International Space Station raised by E&Y.